

**WESTERN DUBUQUE COUNTY
COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016**

**OFFICIAL ISSUING REPORT
MARK FRASHER, BUSINESS MANAGER
BUSINESS OFFICE**

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2016

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**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

JUNE 30, 2016

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O F F I C I A L S

Name -----	Title -----	Term Expires -----
Board of Education		
(Before September 2015 Election)		
Mark Knuth	President	2017
Chad Vaske	Vice President	2015
Jeanne Coppola	Board Member	2015
Mark Tilson	Board Member	2017
John Lembezeder	Board Member	2015
(After September 2015 Election)		
Mark Knuth	President	2017
Chad Vaske	Vice President	2019
John Lembezeder	Board Member	2019
Mark Tilson	Board Member	2017
Jessica Pape	Board Member	2019
School Officials		
Rick Colpitts	Superintendent	2016
Mark Frasher	District Treasurer/Business Manager	2016
Jeni Schindler	Board Secretary	2016

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P.O. Box 743
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Western Dubuque County Community School District

Report on the Financial Statements

www.oconnorbrooks.com

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Western Dubuque County Community School District as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western Dubuque County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2015 (which are not presented herein) and expressed unqualified/unmodified opinions on those financial statements with the exception of the five years ended June 30, 2011. For the five years ended June 30, 2011, we expressed an unqualified/unmodified opinion on the financial statements of the various opinion units of the primary government and we expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the financial data for the District's legally separate component units. The supplementary information included in Schedules 1 through 7, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 23, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

O'CONNOR, BROOKS & CO., P.C.

O' Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 23, 2017

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Western Dubuque County Community School District provides this Management's Discussion and Analysis as a part of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

This Management Discussion and Analysis contains the following main areas beginning on the pages shown.

<u>Area</u>	<u>Page #</u>
Financial Notes	6
Overview of the Financial Statements	6
Financial Analysis of the District as a Whole	10
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Financial Analysis of the District's Funds	14
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FINANCIAL NOTES

- The 2015-16 fiscal year was the 4th year of the District's renewed five-year Instructional Support Program (ISP). The existing five-year program commencing July 1, 2012 and ending on June 30, 2017 was authorized and approved by the School Board on October 10, 2011.

Receipts:

Property Tax	\$ 396,337
Income Surtax	1,305,859
State Aid	---

	\$ 1,702,196
	=====

Expenses:

Teacher Wages	\$ 1,519,340
Computer Software - Public	
Instructional Materials – Private Schools	114,179
Technology – Private Schools	13,510
Athletic Trainer	55,167

	\$ 1,702,196
	=====

- The General Fund June 30, 2016 unrestricted fund balance increased from \$6,215,019 to \$7,832,327 resulting in an increased Financial Solvency Ratio of 22.64%.

2009-2010	4.92 %
2010-2011	7.78 %
2011-2012	9.09 %
2012-2013	11.00 %
2013-2014	14.59 %
2014-2015	18.46 %
2015-2016	22.64 %

The primary reason for the increase in the fund balance was due to the District's on-going effort to increase the fund balance via an increased cash reserve levy.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Western Dubuque Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the District's operations in more detail than the government-wide statements by providing

information about the most significant funds. The remaining statements provide information about activities for which the District acts solely as a custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, the District's proportionate share of the net pension liability and related contributions as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management's discussion and analysis highlights the structure and contents of each of the statements.

<p align="center">Figure A-1 Major Features of the Government-Wide and Fund Financial Statements</p>				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in net position • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net position • Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and liabilities – is one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net position is an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

1. ***Governmental funds:*** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional schedules explain the relationship or differences between the two statements.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Capital Projects Fund.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2. ***Proprietary funds:*** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities, but provides more detail and additional information, such as cash flows. The District's Enterprise Fund is the School Nutrition Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

3. ***Fiduciary funds:*** The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position - Figures A-2 and A-3 below provide a summary of the District's revenues, expenses, and net position for the year ended June 30, 2016 compared to 2015 for the governmental and business-type activities.

Figure A-2
Condensed Statement of Net Position

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2016	2015	2016	2015	2016	
Current and other assets	40,331,022	42,260,042	538,018	721,603	40,869,040	42,981,645	5.17%
Capital assets	59,328,594	58,477,790	164,685	168,252	59,493,279	58,646,042	-1.42%
Total assets	<u>99,659,616</u>	<u>100,737,832</u>	<u>702,703</u>	<u>889,855</u>	<u>100,362,319</u>	<u>101,627,687</u>	<u>1.26%</u>
Deferred outflows of resources	2,448,915	2,463,738	80,118	79,398	2,529,033	2,543,136	0.56%
Long-term liabilities	50,374,386	52,168,472	655,956	748,180	51,030,342	52,916,652	3.70%
Other liabilities	3,962,771	4,085,449	7,174	14,041	3,969,945	4,099,490	3.26%
Total liabilities	<u>54,337,157</u>	<u>56,253,921</u>	<u>663,130</u>	<u>762,221</u>	<u>55,000,287</u>	<u>57,016,142</u>	<u>3.67%</u>
Deferred inflows of resources	20,540,729	17,091,576	159,858	52,783	20,700,587	17,144,359	-17.18%
Net position:							
Net investment in capital assets	24,248,594	24,167,790	164,685	168,252	24,413,279	24,336,042	-0.32%
Restricted	13,766,200	14,477,269	-	-	13,766,200	14,477,269	5.17%
Unrestricted (deficit)	<u>(10,784,149)</u>	<u>(8,788,986)</u>	<u>(204,852)</u>	<u>(14,003)</u>	<u>(10,989,001)</u>	<u>(8,802,989)</u>	<u>19.89%</u>
Total net position	<u>27,230,645</u>	<u>29,856,073</u>	<u>(40,167)</u>	<u>154,249</u>	<u>27,190,478</u>	<u>30,010,322</u>	<u>10.37%</u>

Net position either is restricted as to the purposes they can be used for or are invested in capital assets (buildings, parking lots and so on.)

Figure A-3
Changes in Net Position from Operating Results

	Governmental Activities		Business Type Activities			Total School District		
	2014-15	2015-16	Change	2014-15	2015-16	Change	2014-15	Total Change
Revenues:								
Program Revenues:								
Charges for service and sales	3,444,421	3,729,355	284,934	1,212,206	1,249,391	37,185	4,656,627	322,119
Operating grants and contributions	7,082,847	7,241,346	158,499	822,089	906,815	84,726	7,904,936	243,225
Capital grants and contributions	179,618	123,290	(56,328)	-	-	-	179,618	(56,328)
General Revenues:								
Property tax	15,136,145	15,498,051	361,906	-	-	-	15,136,145	361,906
Instructional support surtax	1,656,028	1,613,622	(42,406)	-	-	-	1,656,028	(42,406)
Statewide sales and services tax	2,801,822	2,853,633	51,811	-	-	-	2,801,822	51,811
Unrestricted state grants	12,139,908	12,056,015	(83,893)	-	-	-	12,139,908	(83,893)
Unrestricted investment earnings	90,946	256,940	165,994	147	4,211	4,064	91,093	170,058
Other	670,347	(555,998)	(1,226,345)	-	-	-	670,347	(1,226,345)
Total Revenues	43,202,082	42,816,254	(385,828)	2,034,442	2,160,417	125,975	45,236,524	(259,853)
Expenditures:								
Instruction	23,223,580	24,361,791	1,138,211	-	-	-	23,223,580	1,138,211
Support services	10,913,060	11,977,481	1,064,421	-	-	-	10,913,060	1,064,421
Non-instructional programs	32,610	47,840	15,230	1,840,218	1,966,001	125,783	1,872,828	141,013
Other expenses	3,907,480	3,803,714	(103,766)	-	-	-	3,907,480	(103,766)
Total Expenditures	38,076,730	40,190,826	2,114,096	1,840,218	1,966,001	125,783	42,156,827	2,239,879
Change in Net Position	5,125,352	2,625,428	(2,499,924)	194,224	194,416	192	5,319,576	(2,499,732)
Net Position Beginning of Year	22,105,293	27,230,645	5,125,352	(234,391)	(40,167)	194,224	21,870,902	5,319,576
Net Position End of Year	27,230,645	29,856,073	2,625,428	(40,167)	154,249	194,416	27,190,478	2,819,844

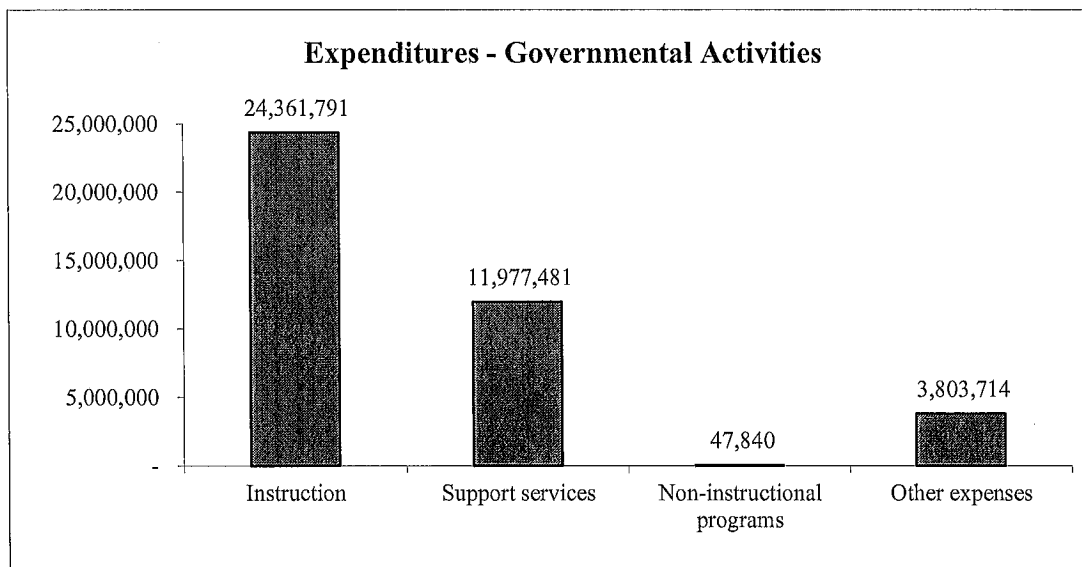
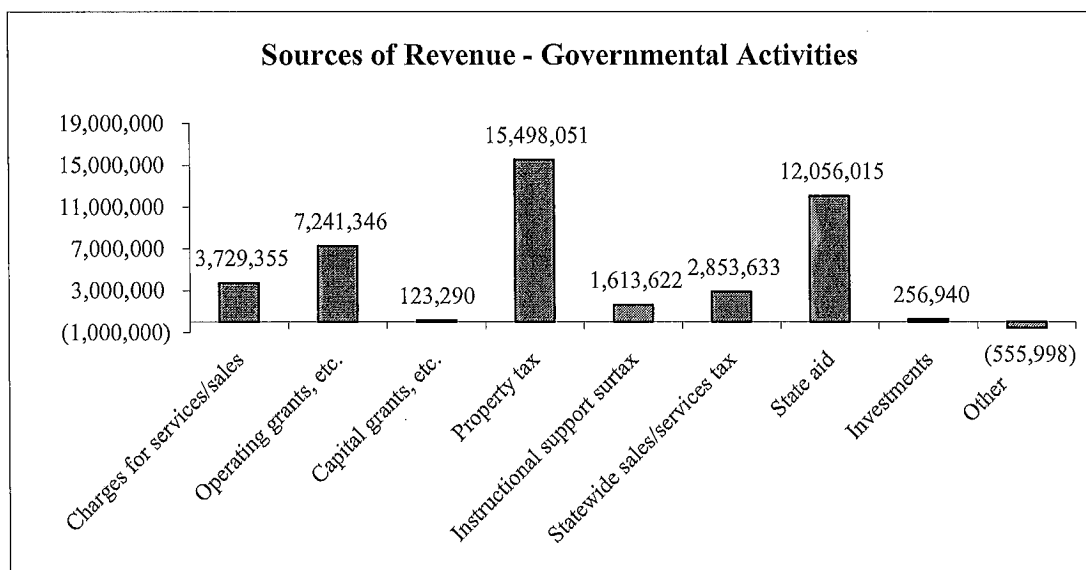
(COMMENTS ON NEXT PAGE)

Governmental Activities

Revenues for governmental activities were \$42,816,254 while total expenses amounted to \$40,196,826.

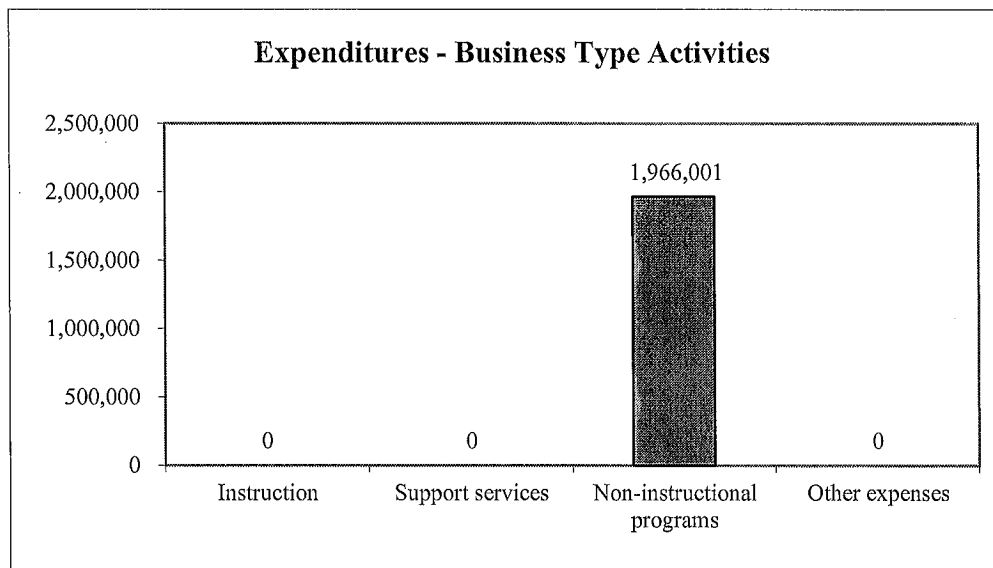
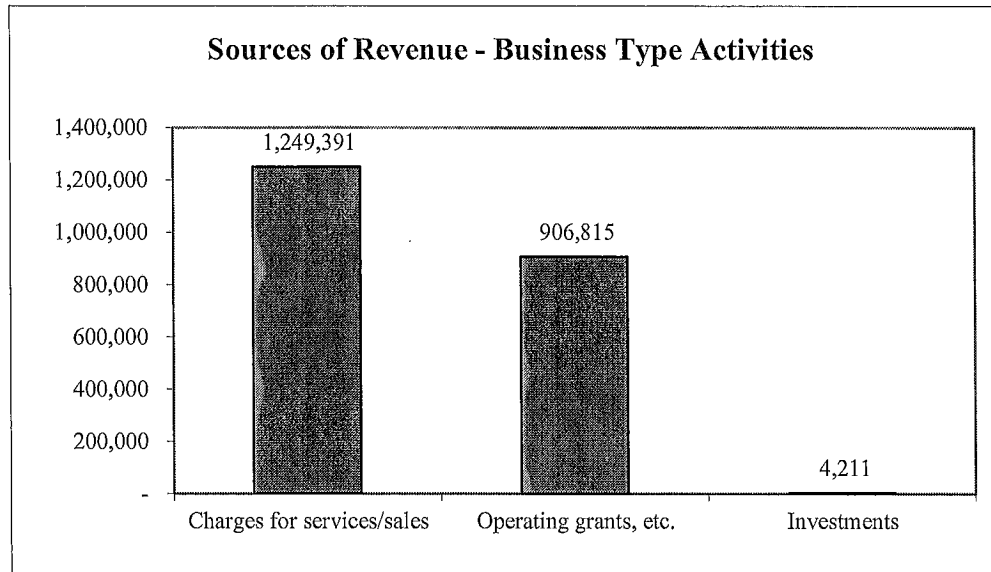
The District collects revenues from a number of sources other than state aid and property tax to fund its operations. Other significant sources include local grants, student fees, tuition, Activity Fund receipts, State grants, and Federal grants.

Bar Graph for Figure A-3 – Changes in Net Position from Operating Results



Business-Type Activities

Revenues of the District's business-type activities (School Nutrition Fund) were \$2,160,417 and expenses were \$1,966,001. Revenues of these activities were comprised of a la carte sales, charges for meals, tuition, interest, and federal and state reimbursements.



FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Western Dubuque Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Fund Highlights

- Following are ending fund balances including restricted and unrestricted reserves of the various governmental funds and a discussion concerning the change in balances.

<u>Fund Name</u>	<u>2015 Balance</u>	<u>2016 Balance</u>	<u>Change</u>
General	\$ 6,960,744	\$ 8,760,614	\$ 1,799,870
Activity	812,386	842,786	30,400
Management	1,453,280	1,512,847	59,567
Capital Projects	5,747,240	4,556,730	(1,190,510)
Debt Service	5,007,569	6,636,619	1,629,050
	<u>\$ 19,981,219</u>	<u>\$ 22,309,596</u>	<u>\$ 2,328,377</u>

- **General Fund:** The \$1,799,870 increase in fund balance over FY15 is due largely to the cash reserve levy in the amount of \$1,500,000. The District instituted the cash reserve levy after the 2006-2007 school year, when the fund balance was \$563,080. The District has improved its fund balance almost every year since implementing the levy, resulting in the current fund balance of \$8,760,614. Iowa Code places a restriction on the amount a district can levy for cash reserve purposes, which is 20% of annual expenditures less the ending fund balance. After significant growth in the fund balance, the District has reached that maximum threshold and subsequently reduced the Cash Reserve Levy for the 2016-2017 school year down to \$421,631. It will be eliminated all together for the 2017-2018 school year.

The District has well exceeded the goal of the School Board to have an undesignated fund balance equal to 10% of its annual General Fund Expenditures. The improved cash position has also allowed the District to avoid the need to utilize short-term borrowing at its normal cash-lean times of the year to meet its payroll obligations. Due to the seasonal nature of property tax and State Aid deposits, borrowing in the short term to meet its obligations had been the norm in years past.

Not accounting for the Cash Reserve revenue, the District ended up with revenues again outpacing expenses in 2015-16. Maintaining the structural surplus or, at a minimum, keeping revenues and expenses relatively equal is the main focus of the administration. This will become more challenging with the State now in the pattern of only granting around 2% Supplemental State Aid most years.

The overall improvement in the District's financial picture has resulted in Standard & Poor's rating service recently reaffirming the District's A+/Stable rating in October 2015.

- **Budget Authority:** Year-end financials reported to the Department of Education reflect revenues and expenses using U.S. generally accepted accounting principles (GAAP). They do not reflect on nor report on the District's Maximum Budget Authority and

Unspent Budget Authority as defined by Iowa School Finance Law. Following are definitions of significant terms relating to budget authority.

Maximum Spending Authority – also known as Maximum Authorized Budget (MAB) – the maximum amount authorized under the school funding formula that a district has available for a given budget year. It is a calculation and is the sum of maximum district cost, preschool foundation aid, instructional support authority, education improvement authority, miscellaneous income and prior year unspent spending authority.

Maximum District Cost – also a calculation that is the sum of regular program cost (enrollment multiplied by legislatively authorized cost per student), special education instructional costs, AEA costs and district supplementary weighting - all funded with a mix of state aid and property taxes. It does not include a district's cash reserve levy.

Miscellaneous Income – revenue which is not part of the combined district cost – for example, state grants, federal funds, student fees and tuition, and interest income. It does not include the cash reserve levy.

Unspent Spending Authority – also known as Unspent Authorized Budget (UAB) – the amount of the maximum spending authority left at the end of the year after deducting the general fund expenditures incurred during the year.

The following table shows the District's actual UAB for the past three years and a projection for 2015-16 based on budgeted revenues and expenses.

UNSPENT BUDGET AUTHORITY				
Year	2013-14	2014-15	2015-16	2016-17
Amount	\$5,188,344	\$6,047,367	\$7,150,513	\$7,328,697
Change		\$859,023	\$1,103,146	\$478,184

The District's Unspent Authority/Budget Authority ratio for 2015-16 was 17.27%. The latest available data for the state average authority ratio for Iowa schools is an estimated 17.5% (2014-2015).

Unspent Balance	\$7,150,513
Divided by Budget Authority	<u>\$41,402,934</u>
Equals Balance/Authority Ratio	17.27%

The District will need to closely monitor and adjust future expenditures to sustain an acceptable Unspent Budget Authority. Stabilizing the Unspent Budget Authority at or above \$5,000,000 is a suitable goal for the District.

- **Activity Fund:** Nearly 200 separate fund accounts for the various activity organizations are accounted for in the Activity Fund. Each account group has its own revenue and expense chart of accounts. The fund balance for this fund is adequate.
- **Management Fund:** This fund is used to pay for early retirement benefits and property/liability insurance. The residual fund balance is needed to pay insurance obligations coming due in early 2016-17 prior to taxes coming in. The District reduced the

amounts to be funded in its early retirement program for employees electing to retire after June 30, 2016, so expenses in that area should begin stabilizing or going down over the next 5 years as the prorated benefit amounts take effect.

- **Capital Projects Fund:** The Capital Projects Fund consists of two accounts, The Statewide Sales, Services and Use Tax account and the Physical Plant and Equipment Levy (PPEL) account.

<u>Accounts</u>	<u>2014-15 Fund Balance</u>	<u>2015-16 Fund Balance</u>
Statewide Sales, Services and Use Tax	\$ 4,408,249	\$2,705,346
PPEL	\$ 1,338,991	\$1,851,384

1. Physical Plant and Equipment Levy Account – 2015-16 was the fourth year of the 10-year voter-approved \$1.00 PPEL Levy. Previously, the PPEL Levy was set at the Board-Approved rate of \$0.33.

Primary Uses for the account are as follows:

1. School buses
2. Other school vehicles
3. Buildings and Grounds projects
4. Equipment purchases
5. Large repair items
6. Technology purchases

Passage of the \$1.00 levy has allowed the District to pay for the purchase of school buses and computer hardware from the fund versus using the General Fund Instructional Support Program. Bus purchases in 2015-16 alone totaled \$402,500. In both the short term and long term, this increase results in a significant improvement to the District's General Fund year-end fund balance.

2. Statewide Sales, Services and Use Tax Account – The \$2,705,346 balance in this account is available to the District for construction projects and other uses allowed by Iowa Code.

2013-2014 was the first fiscal year in which all five counties were participating in the State-Wide pool of Sales Tax Funds. Previously the individual counties kept the taxes they generated and distributed the dollars evenly to the schools in their respective county.

The prior method of distributing the funds greatly benefited the District, as Dubuque County generates a high volume of sales tax, and thus, the District received a higher dollar amount per pupil relative to counties with no major center for commerce. The 1-cent sales tax is now pooled state-wide and distributed to all Districts on an equal per pupil basis, which drastically reduced the amount of money received by the District.

Of the roughly \$2.8 million in annual sales tax revenue, \$1.5 million is committed annually to retire the two QBond issuances, with another \$400,000 transferred to the Debt Service Fund to keep the Debt Service Levy at a reduced rate as promised with the 2012 referendum.

The District was still in the planning phase of two separate construction/renovation projects on June 30th. Bonds in the amount of \$6.5M will be sold to complete additions at both the Cascade and Peosta Elementary buildings.

- **Debt Service Fund:** \$6,468,551 of the total \$6,636,619 fund balance is comprised of the sinking fund balances for both the Dyersville and Drexler Middle School QBond issuances. The sinking fund balances will continue to grow by \$1,505,722 annually until final payment is due on each of the bonds in 2020 and 2026, respectively. The residual fund balance of \$168,068 will eventually be applied to retire outstanding GO Bonds.

Proprietary Fund Highlights

The School Nutrition Fund net position increased from \$(40,167) on June 30, 2015 to \$154,249 on June 30, 2016. Revenues in the fund exceeded expenditures by \$194,416, which represents the 2nd year in a row with a surplus and a positive financial trend. The School Nutrition Fund continues to operate without any subsidies from the District's General Fund.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and a hearing for all funds, except its private-purpose trust funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis. Over the course of the year, the District amended its annual operating budget to reflect additional expenditures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report.

The District amended the Instruction and Other Expenditures functional areas of the 2015-2016 budget to reflect expected increases in expenses.

Function	Original	Amended	Actual
Instruction	\$ 24,909,464	\$ 24,909,464	\$ 24,642,778
Non-instructional	2,085,719	2,085,719	2,007,561
Other	4,317,339	6,089,382	5,561,532
Support Services	11,789,326	11,823,072	12,020,335

Amending the budget does not provide additional resources. Expenses above the initial certified budgeted amounts are funded by existing cash balances and do not result in an increased tax levy.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The following table shows the District's capital assets, net of accumulated depreciation.

	Governmental Activities		Business Type Activities		Total School District		Total Change
	2015	2016	2015	2016	2015	2016	
Land	980,441	991,718	-	-	980,441	991,718	11,277
Construction in progress	910,669	416,195	-	-	910,669	416,195	(494,474)
Buildings	53,978,267	53,202,948	-	-	53,978,267	53,202,948	(775,319)
Improvements	410,550	866,675	-	-	410,550	866,675	456,125
Furnishings & Equipment	3,048,667	3,000,254	164,685	168,252	3,213,352	3,168,506	(44,846)
Total Capital Assets	59,328,594	58,477,790	164,685	168,252	59,493,279	58,646,042	(847,237)

The large decrease in Construction in Progress and increase in Buildings is mainly due to the completion of the WDHS Vocational Building that was completed early on in the fiscal year and transitioned out of Construction in Progress and into Buildings. During the year, the district sold a large commercial property (Webber Metals Building) that was received as a donation in 1997. At the time of donation, the asset was placed on the books at a valuation of approximately \$3,000,000. An appraisal was performed in 2015 leading up to the sale, finding an estimated market value of \$400,000. However, the building condition was probably not fully accounted for in the appraisal, as there were multiple offers in the \$250,000 range. The agreed upon sale price of the building was \$261,000, which made for a sizable loss when compared to the initial valuation of \$3,000,000 less depreciation deductions.

Long-Term Debt

On June 30, 2016, the District had total long-term debt obligations of 34,310,000. The following summary schedule shows totals in the different classes of the long-term debt obligations.

	6/30/2016	6/30/2015
General Obligation Bonds	17,810,000	18,580,000
Qualified School Construction Bonds	16,500,000	16,500,000
	<u>34,310,000</u>	<u>35,080,000</u>

Name	Amount	Retirement Date
GO Bonds, Series 2012	\$ 15,495,000	6/1/2032
GO Bonds, Series 2010	2,315,000	6/1/2021
QSC Bonds, Series 2009	8,500,000	6/1/2026
QSC Bonds, Series 2010A	8,000,000	6/1/2020
	<u>\$ 34,310,000</u>	

FACTORS BEARING ON THE DISTRICT'S FUTURE

Following are several factors that could have a significant effect on the District's General Fund financial condition.

- District Enrollment: The District's certified resident count increased in fiscal 2015-16 by 59.4 students.

October 2015	3,050.7
October 2014	2,991.3
October 2013	2,949.7
October 2012	2,977.2
October 2011	2,919.0
October 2010	2,879.4
October 2009	2,799.4

The increase is significant in that it has a direct impact on the District's general fund revenues. The District's enrollment multiplied by the state set cost-per-pupil is the primary revenue driver for the District's General Fund budget. The enrollment had been increasing steadily each year for several years, and was interrupted by a decrease of nearly 30 students in the fall of 2013. The return to significant increases in enrollment in 2014 and 2015 was welcomed financial news.

The District had 197 open enrolled-in students and 60.2 open enrolled-out students in October 2015. Each open enrolled student will generate \$6,446 in tuition revenue or expense in the 2016-17 school year. A significant change in the enrollment of these two groups would have a significant impact on revenues and expenses. Open enrolled-in totals have increased every year for each of the past 5 years. Open enrolled-out totals have decreased every year for each of the past five years. Both of those trends are very positive for the District.

The enrollment increased by nearly 100 students in the fall of 2016, most of which was due to a very small graduating Class of 2016 exiting the system. The District expects continued growth in the Hwy 20 Corridor, especially in the community of Peosta.

- State Aid: The State House and Senate struggled to come to agreement on education funding for 2015-2016, and they eventually agreed on a meager 1.25% increase with some additional one-time funding for schools. The Governor then vetoed the one-time funding, and left districts simply with the 1.25% increase. Both the timing and the outcome of the process were of detriment to schools, as uncertainty of funding for the upcoming school year causes difficulty with budgeting and negotiations and the minimal increase places a strain on district finances. The Legislature, by law, is supposed to set the rate increase two years in advance to provide some stability and give schools ample time to adjust their budgets accordingly. Unfortunately, the Legislature has ignored the law for the last few years.

For 2016-17, the Legislature passed 2.25% increase for Iowa public schools, which was again much less than desired. The early signals for State Aid for 2017-18 are not positive either, and a 2% growth figure seems likely. The District can sustain a couple of lean years of State Aid increases because of the financial buffer that an increasing enrollment provides,

but no district will be able to sustain a solid financial picture in the long run if the State does not return to sufficient levels of funding increases.

There has also been a shift by the State away from supporting regular programming of public schools in lieu of offering more money in the form of Categoricals, like the Teacher Leadership System. Categorical funds can only be spent for a specific purpose, and do not finance the general operation of the school districts. If Categorical dollars are not used for their legal purposes, the District must reserve the balances on the balance sheet for future allowable uses. The growth of these balances on the balance sheet over time can somewhat distort a district's financial health, so it is important not to ignore reserve amounts when assessing the financials and Unspent Authorized Budget.

- Unspent Authorized Budget: The Unspent Authorized Budget is the single most important financial indicator for school districts in Iowa, as a negative UAB is the only reason a school can be closed by the Department of Education. The District's ability to again end the year with revenues greater than expenses led to the UAB increasing significantly in 2015-16. An increasing enrollment also had a major positive impact on UAB, as the District applied for additional spending authority from the SBRC in the amount of \$386,159 in 2015-16 and again in 2016-17 in the amount of \$653,302. Maintaining a reasonable balance allows the District to absorb unexpected budget issues (revenues and expenses) without making immediate changes in programming costs. A healthy balance is necessary to ensure continuation and consistency of existing programs and future planning.
- Wages and benefits: By far the most significant expenditure category of the District's operation costs are the wages and benefits of its employees. Wage and benefit settlements, with any employee group, exceeding the rate of growth of state funding will have an adverse impact on the District's General Fund Budget. Unfortunately, unless the District is in a dire financial position or collective bargaining law is changed, settlements with bargaining units will typically end up at or near the state trend line regardless of allowable growth amounts.
- Instructional Support Program: On October 10, 2011 the Western Dubuque Schools Board of Education approved a new five-year Instructional Support Program. The program begins July 1, 2012 and ends June 30, 2017. The Board already approved the extension of the ISL program for another 5 years at their October 10, 2016 meeting. This extension will run from July 1, 2017 to June 30, 2022. \$1.7 million in property taxes and income surtax was received in fiscal year 2016 from the ISL. The program provides an ongoing revenue source to fund teacher wages and textbook/technology services to the private schools. Continuation of this program is critical.
- Transportation: Transportation expenses continue to be a significant cost of education. Western Dubuque Schools is the largest geographic school district in Iowa. The Iowa school funding formula does not provide for any additional funds for public school transportation costs, which disproportionately affects the District's budget more than other districts with more manageable transportation requirements. The District's reimbursement for transporting non-public students was \$109,043 less than requested due to the ongoing shortfall of state funding for the program. There has been much discussion recently regarding the financial inequity that transportation provides, and a potential resolution to that issue is of great importance to Western Dubuque.

- Operation of two high schools: The costs of operating two high school programs in a District the size of Western Dubuque is significant. Duplication of high school programming/activities leads to many inefficiencies. Based strictly on enrollment, the number of high school students in the District does not warrant operation of more than one high school. However, the District is not likely to make any major changes in this regard for many reasons.

Also hindering the District is the actual demographic makeup of its enrollment. With several successful parochial elementary systems located within the District, elementary enrollment is held artificially lower than that of the high school enrollment. The Iowa funding formula does not provide additional funding for high school students versus elementary students, so the District receives the same funding for relatively inexpensive elementary students compared to high school students, who require more expensive programming and activities. Ideally a district would have a higher ratio of elementary students to high school students than it currently has.

Budgeting and monitoring the cost and number of staff will be critical to the District's ability to sustain an acceptable fund balance and unspent budget authority.

- Financial Solvency Ratio: One measure of a school district's financial health in its General Fund is the Financial Solvency Ratio. The ratio is used by lending institutions to determine a district's ability meet its financial obligations, a function of their fund balance. Currently the Iowa Schools Cash Anticipation Program sponsored by the Iowa Association of School Boards uses the ratio when evaluating credit ratings of school districts. The ratio is determined as follows:

Unreserved Fund Balance
(Total Receipts – AEA Support)

Following is the Financial Solvency Ratio for the Western Dubuque District for the past five years.

2011-2012	9.09%
2012-2013	11.00%
2013-2014	14.59%
2014-2015	18.46%
2015-2016	22.64%

<u>Grading:</u>	
> 10%	Good
5% to 10%	Acceptable
-0% to 5%	Concern
< 0%	Serious Concern

The major reason for the increase in the ratio was due to the District's levy for cash reserves beginning with the 2010-11 fiscal year. The ratio will likely stabilize or potentially decrease over the next few years as the cash reserve levy is phased out due to reaching the maximum fund balance allowed by law in the General Fund.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Frasher, Business Manager, Western Dubuque County Community School District, 310 4th Street SW, Farley, Iowa 52046.

BASIC FINANCIAL STATEMENTS

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business Type Activities	Total
Assets			
Cash, cash equivalents and pooled investments	\$ 17,235,037	\$ 669,070	\$ 17,904,107
Receivables:			
Property tax:			
Delinquent	172,553	---	172,553
Succeeding year	15,527,282	---	15,527,282
Income surtax	1,189,963	---	1,189,963
Accounts	15,567	2,110	17,677
Due from other governments	1,558,261	---	1,558,261
Prepaid expenses	92,828	---	92,828
Inventories	---	50,423	50,423
Capital assets, net of accumulated depreciation	58,477,790	168,252	58,646,042
Restricted assets:			
Cash held in escrow	6,468,551	---	6,468,551
Total Assets	\$ 100,737,832	\$ 889,855	\$ 101,627,687
Deferred Outflows of Resources			
Deferred amounts on refunding	\$ 92,291	\$ ---	\$ 92,291
Pension related amounts	2,371,447	79,398	2,450,845
Total Deferred Outflows of Resources	\$ 2,463,738	\$ 79,398	\$ 2,543,136
Liabilities			
Accounts payable	\$ 669,253	\$ 4,136	\$ 673,389
Salaries and benefits payable	3,372,593	9,905	3,382,498
Due to other funds	1,113	---	1,113
Accrued interest payable	42,490	---	42,490
Long-term liabilities:			
Portion due within one year:			
General obligation bonds	785,000	---	785,000
Portion due after one year:			
General obligation bonds	17,025,000	---	17,025,000
Qualified School Construction Bonds	10,031,449	---	10,031,449
Payable from restricted assets:			
Qualified School Construction Bonds	6,468,551	---	6,468,551
Net pension liability	13,529,596	462,180	13,991,776
Net other postemployment benefits	4,409,000	286,000	4,695,000
Unamortized bond discount	(80,124)	---	(80,124)
Total Liabilities	\$ 56,253,921	\$ 762,221	\$ 57,016,142
Deferred Inflows of Resources			
Unavailable property tax revenue	\$ 15,527,282	\$ ---	\$ 15,527,282
Pension related amounts	1,564,294	52,783	1,617,077
Total Deferred Inflows of Resources	\$ 17,091,576	\$ 52,783	\$ 17,144,359

See notes to financial statements.

EXHIBIT "A" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET POSITION
JUNE 30, 2016**

	Governmental Activities	Business Type Activities	Total
	-----	-----	-----
Net Position			
Net investment in capital assets	\$ 24,167,790	\$ 168,252	\$ 24,336,042
Restricted for:			
Categorical funding	928,287	---	928,287
Management levy purposes	1,512,847	---	1,512,847
Physical plant and equipment	1,851,384	---	1,851,384
Student activities	842,786	---	842,786
School infrastructure	2,705,346	---	2,705,346
Debt service	6,636,619	---	6,636,619
Unrestricted	(8,788,986)	(14,003)	(8,802,989)
	-----	-----	-----
Total Net Position	\$ 29,856,073	\$ 154,249	\$ 30,010,322
	=====	=====	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Governmental Activities:							
Instruction:							
Regular	\$ 13,055,142	\$ 1,530,996	\$ 4,227,948	\$ ---	\$ (7,296,198)	\$ ---	\$ (7,296,198)
Special	4,743,212	353,247	1,052,911	---	(3,337,054)	---	(3,337,054)
Other	6,563,437	1,644,503	27,084	---	(4,891,850)	---	(4,891,850)
Total Instruction	\$ 24,361,791	\$ 3,528,746	\$ 5,307,943	\$ ---	\$(15,525,102)	\$ ---	\$(15,525,102)
Support Services:							
Student	\$ 1,207,867	\$ ---	\$ 12,428	\$ ---	\$ (1,195,439)	\$ ---	\$ (1,195,439)
Instructional staff	1,597,912	---	---	---	(1,597,912)	---	(1,597,912)
Administration	4,083,246	---	---	---	(4,083,246)	---	(4,083,246)
Operation and maintenance of plant	2,672,128	41,347	---	---	(2,630,781)	---	(2,630,781)
Transportation	2,416,328	159,262	458,590	---	(1,798,476)	---	(1,798,476)
Total Support Services	\$ 11,977,481	\$ 200,609	\$ 471,018	\$ ---	\$(11,305,854)	\$ ---	\$(11,305,854)
Non-instructional Programs	\$ 47,840	\$ ---	\$ ---	\$ ---	\$ (47,840)	\$ ---	\$ (47,840)

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
Functions/Programs (Continued)						
Governmental Activities: (Continued)						
Other Expenditures:						
Facilities acquisition	\$ 278,480	\$ ---	\$ 123,290	\$ (155,190)	\$ ---	\$ (155,190)
Long-term debt interest	581,903	---	---	(581,903)	---	(581,903)
AEA flowthrough	1,462,385	1,462,385	---	---	---	---
Depreciation (unallocated)*	1,480,946	---	---	(1,480,946)	---	(1,480,946)
Total Other Expenditures	\$ 3,803,714	\$ 1,462,385	\$ 123,290	\$ (2,218,039)	\$ ---	\$ (2,218,039)
Total Governmental Activities	\$ 40,190,826	\$ 3,729,355	\$ 123,290	\$ (29,096,835)	\$ ---	\$ (29,096,835)
Business Type Activities:						
Non-instructional programs:						
Food service operations	\$ 1,966,001	\$ 1,249,391	\$ ---	\$ ---	\$ 190,205	\$ 190,205
Total Business Type Activities	\$ 1,966,001	\$ 1,249,391	\$ ---	\$ ---	\$ 190,205	\$ 190,205
Total	\$ 42,156,827	\$ 4,978,746	\$ 123,290	\$ (29,096,835)	\$ 190,205	\$ (28,906,630)

* This amount excludes the depreciation included in the direct expenses of the various programs.
See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total
General Revenues:						
Property tax levied for:				\$ 13,282,760	\$ ---	\$ 13,282,760
General purposes				927,488	---	927,488
Debt service				1,287,803	---	1,287,803
Capital outlay				1,613,622	---	1,613,622
Instructional support surtax				2,853,633	---	2,853,633
Statewide sales, services, and use tax				12,056,015	---	12,056,015
Unrestricted state grants				256,940	4,211	261,151
Unrestricted investment earnings				687,249	---	687,249
Other				(1,243,247)	---	(1,243,247)
Loss on disposal of assets						
Total General Revenues				\$ 31,722,263	\$ 4,211	\$ 31,726,474
Change in Net Position				\$ 2,625,428	\$ 194,416	\$ 2,819,844
Net Position Beginning of Year				27,230,645	(40,167)	27,190,478
Net Position End of Year				\$ 29,856,073	\$ 154,249	\$ 30,010,322

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016**

	General	Capital Projects	Debt Service	Nonmajor	Total
Assets					
Cash, cash equivalents and pooled investments	\$ 11,317,597	\$ 4,090,559	\$ 158,439	\$ 1,668,442	\$ 17,235,037
Receivables:					
Property tax:					
Delinquent	136,984	13,369	9,629	12,571	172,553
Succeeding year	11,811,388	1,369,652	921,241	1,425,001	15,527,282
Income surtax	1,189,963	---	---	---	1,189,963
Accounts	11,220	---	---	4,347	15,567
Due from other funds	4,909	---	---	---	4,909
Due from other governments	1,089,469	468,792	---	---	1,558,261
Prepaid expenses	112,098	70,819	---	719,669	902,586
Restricted assets - cash held in escrow	---	---	6,468,551	---	6,468,551
Total Assets	<u>\$ 25,673,628</u>	<u>\$ 6,013,191</u>	<u>\$ 7,557,860</u>	<u>\$ 3,830,030</u>	<u>\$ 43,074,709</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	\$ 537,957	\$ 86,809	\$ ---	\$ 44,487	\$ 669,253
Salaries and benefits payable	3,372,593	---	---	---	3,372,593
Due to other funds	1,113	---	---	4,909	6,022
Total Liabilities	<u>\$ 3,911,663</u>	<u>\$ 86,809</u>	<u>\$ ---</u>	<u>\$ 49,396</u>	<u>\$ 4,047,868</u>
Deferred Inflows of Resources					
Unavailable revenues:					
Succeeding year property tax	\$ 11,811,388	\$ 1,369,652	\$ 921,241	\$ 1,425,001	\$ 15,527,282
Income surtax	1,189,963	---	---	---	1,189,963
Total Deferred Inflows of Resources	<u>\$ 13,001,351</u>	<u>\$ 1,369,652</u>	<u>\$ 921,241</u>	<u>\$ 1,425,001</u>	<u>\$ 16,717,245</u>
Fund Balances:					
Nonspendable:					
Prepaid expenditures	\$ 112,098	\$ 70,819	\$ ---	\$ 719,669	\$ 902,586
Restricted for:					
Categorical funding	928,287	---	---	---	928,287
Debt service	---	---	6,636,619	---	6,636,619
Management levy purposes	---	---	---	793,178	793,178
Student activities	---	---	---	842,786	842,786
School infrastructure	---	2,634,527	---	---	2,634,527
Physical plant and equipment	---	1,851,384	---	---	1,851,384
Unassigned	7,720,229	---	---	---	7,720,229
Total Fund Balances	<u>\$ 8,760,614</u>	<u>\$ 4,556,730</u>	<u>\$ 6,636,619</u>	<u>\$ 2,355,633</u>	<u>\$ 22,309,596</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 25,673,628</u>	<u>\$ 6,013,191</u>	<u>\$ 7,557,860</u>	<u>\$ 3,830,030</u>	<u>\$ 43,074,709</u>

See notes to financial statements.

EXHIBIT "D"

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balances of Governmental Funds \$ 22,309,596

*Amounts reported for governmental activities in the Statement of Net Position
are different because:*

Capital assets used in governmental activities are not financial resources and,
therefore, are not reported in the governmental funds. 58,477,790

Other long-term assets are not available to pay current period expenditures and,
therefore, are recognized as deferred inflows of resources in the governmental
funds. 1,189,963

Accrued interest payable on long-term liabilities is not due and payable in the
current year and, therefore, is not reported as a liability in the governmental
funds. (42,490)

Pension related deferred outflows of resources and deferred inflows of resources
are not due and payable in the current year and, therefore, are not reported in the
governmental funds. 807,153

Long-term liabilities, including bonds and notes payable, net pension liability
and net other postemployment benefits liability, are not due and payable in the
current year and, therefore, are not reported as liabilities in the governmental
funds. Other related amounts include unamortized bond discount and deferred
amount on refunding bonds. (52,885,939)

Net Position of Governmental Activities \$ 29,856,073
=====

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General	Capital Projects	Debt Service	Nonmajor	Total
	-----	-----	-----	-----	-----
Revenues					
Local sources:					
Local tax	\$ 13,821,172	\$ 1,287,803	\$ 927,488	\$ 1,146,619	\$ 17,183,082
Tuition	1,582,810	---	---	---	1,582,810
Other	889,071	118,476	98,902	1,714,181	2,820,630
State sources	18,551,124	2,887,831	24,631	31,250	21,494,836
Federal sources	1,049,552	---	---	---	1,049,552
	-----	-----	-----	-----	-----
Total Revenues	\$ 35,893,729	\$ 4,294,110	\$ 1,051,021	\$ 2,892,050	\$ 44,130,910
	-----	-----	-----	-----	-----
Expenditures					
Current:					
Instruction:					
Regular	\$ 12,655,414	\$ 165,899	\$ ---	\$ 396,879	\$ 13,218,192
Special	4,676,200	---	---	128,273	4,804,473
Other	5,041,473	---	---	1,578,640	6,620,113
	-----	-----	-----	-----	-----
Total Instruction	\$ 22,373,087	\$ 165,899	\$ ---	\$ 2,103,792	\$ 24,642,778
	-----	-----	-----	-----	-----
Support Services:					
Student	\$ 1,218,105	\$ ---	\$ ---	\$ 2,526	\$ 1,220,631
Instructional staff	1,617,941	---	---	13,901	1,631,842
Administration	3,537,863	487,128	---	106,397	4,131,388
Operation and maintenance of plant	2,326,331	41,526	---	328,354	2,696,211
Transportation	1,716,709	418,001	---	205,553	2,340,263
	-----	-----	-----	-----	-----
Total Support Services	\$ 10,416,949	\$ 946,655	\$ ---	\$ 656,731	\$ 12,020,335
	-----	-----	-----	-----	-----
Non-instructional Programs	\$ ---	\$ ---	\$ ---	\$ 41,560	\$ 41,560
	-----	-----	-----	-----	-----

See notes to financial statements.

EXHIBIT "E" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	General	Capital Projects	Debt Service	Nonmajor	Total
	-----	-----	-----	-----	-----
Expenditures (Continued)					
Other Expenditures:					
Facilities acquisition	\$ ---	\$ 2,771,454	\$ ---	\$ ---	\$ 2,771,454
Long-term debt:					
Principal	---	---	770,000	---	770,000
Interest and fiscal charges	---	---	557,693	---	557,693
AEA flowthrough	1,462,385	---	---	---	1,462,385
	-----	-----	-----	-----	-----
Total Other Expenditures	\$ 1,462,385	\$ 2,771,454	\$ 1,327,693	\$ ---	\$ 5,561,532
	-----	-----	-----	-----	-----
Total Expenditures	\$ 34,252,421	\$ 3,884,008	\$ 1,327,693	\$ 2,802,083	\$ 42,266,205
	-----	-----	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,641,308	\$ 410,102	\$ (276,672)	\$ 89,967	\$ 1,864,705
	-----	-----	-----	-----	-----
Other Financing Sources (Uses)					
Compensation for loss of fixed assets	\$ 14,306	\$ 44,110	\$ ---	\$ ---	\$ 58,416
Sale of building, equipment and materials	144,256	261,000	---	---	405,256
Operating transfers in	---	---	1,905,722	---	1,905,722
Operating transfers out	---	(1,905,722)	---	---	(1,905,722)
	-----	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 158,562	\$ (1,600,612)	\$ 1,905,722	\$ ---	\$ 463,672
	-----	-----	-----	-----	-----
Change in Fund Balances	\$ 1,799,870	\$ (1,190,510)	\$ 1,629,050	\$ 89,967	\$ 2,328,377
	-----	-----	-----	-----	-----
Fund Balances Beginning of Year	6,960,744	5,747,240	5,007,569	2,265,666	19,981,219
	-----	-----	-----	-----	-----
Fund Balances End of Year	\$ 8,760,614	\$ 4,556,730	\$ 6,636,619	\$ 2,355,633	\$ 22,309,596
	=====	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "F"**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Change in Fund Balances - Total Governmental Funds **\$ 2,328,377**

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$3,002,279 exceeded depreciation of \$(2,112,564) in the current period. 889,715

In the Statement of Activities, gain or loss on the sale or disposition of assets is reported, whereas in the governmental funds, the proceeds from the sale or disposition increase financial resources. The change in net position differs from the change in fund balance by the cost of the assets sold or disposed of (\$3,413,403), net of related accumulated depreciation of \$1,672,884. (1,740,519)

Income surtaxes and other revenues not collected for several months after year end are not considered available revenue and are recognized as deferred inflows of resources in the governmental funds. (71,409)

Payment of long-term liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position. 770,000

Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. (25,835)

Interest on long term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 1,625

The current year District IPERS contributions are reported as expenditures in the governmental funds, but are reported at a deferred outflow of resources in the Statement of Net Position. 1,794,502

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This includes pension expense and the net increase in other postemployment benefits. (1,321,028)

Change in Net Position of Governmental Activities **\$ 2,625,428**

See notes to financial statements.

EXHIBIT "G"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016**

	School Nutrition

Assets	
Current Assets:	
Cash, cash equivalents and pooled investments	\$ 669,070
Accounts receivable	2,110
Inventories	50,423

Total Current Assets	\$ 721,603
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	168,252

Total Assets	\$ 889,855

Deferred Outflows of Resources	
Pension related amounts	\$ 79,398

Liabilities	
Current Liabilities:	
Accounts payable	\$ 4,136
Salaries and benefits payable	9,905

Total Current Liabilities	\$ 14,041

Noncurrent Liabilities:	
Net pension liability	\$ 462,180
Net other postemployment benefits liability	286,000

Total Noncurrent Liabilities	\$ 748,180

Total Liabilities	\$ 762,221

Deferred Inflows of Resources	
Pension related amounts	\$ 52,783

Net Position	
Net investment in capital assets	\$ 168,252
Unrestricted	(14,003)

Total Net Position	\$ 154,249
	=====

See notes to financial statements.

EXHIBIT "H"**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016**

	School Nutrition -----
Operating Revenues	
Local sources:	
Charges for services	\$ 1,249,391 -----
Operating Expenses	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 678,260
Benefits	162,248
Purchased services	51,299
Supplies	1,045,337
Depreciation	28,857 -----
Total Noninstructional Programs	\$ 1,966,001 -----
Operating Loss	\$ (716,610) -----
Non-Operating Revenues	
State sources	\$ 14,769
Federal sources	892,046
Interest income	4,211 -----
Total Non-Operating Revenues	\$ 911,026 -----
Change in Net Position	\$ 194,416
Net Position Beginning of Year	(40,167) -----
Net Position End of Year	\$ 154,249 =====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016**

	School Nutrition

Cash Flows From Operating Activities	
Cash received from sale of lunches and breakfasts	\$ 1,248,643
Cash paid to employees for services	(849,402)
Cash paid to suppliers for goods or services	(867,630)

Net Cash Used by Operating Activities	\$ (468,389)

Cash Flows From Non-Capital Financing Activities	
State grants received	\$ 14,769
Federal grants received	675,216

Net Cash Provided by Non-Capital Financing Activities	\$ 689,985

Cash Flows From Capital and Related Financing Activities	
Acquisition of capital assets	\$ (32,424)

Cash Flows From Investing Activities	
Interest on investments	\$ 4,211

Net Increase in Cash and Cash Equivalents	\$ 193,383

Cash and Cash Equivalents at Beginning of Year	475,687

Cash and Cash Equivalents at End of Year	\$ 669,070
	=====
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating loss	\$ (716,610)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	216,830
Depreciation	28,857
Decrease in inventories	10,418
(Increase) in accounts receivable	(748)
Decrease in prepaid expenses	128
Increase in accounts payable	1,630
Increase in salaries and benefits payable	5,237
Increase in net pension liability	83,224
(Decrease) in deferred outflows of resources	720
(Decrease) in deferred inflows of resources	(107,075)
Increase in net other postemployment liability	9,000

Net Cash Used by Operating Activities	\$ (468,389)
	=====

Non-Cash Investing, Capital and Related Financing Activities

During the year ended June 30, 2016, the District received \$216,830 of federal commodities.

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016**

	Private Purpose Trust
	----- Scholarship -----
Assets	
Cash and pooled investments	\$ 26,068
Due from other funds	1,113

Total Assets	\$ 27,181

Liabilities	
None	\$ ---

Net Position	
Restricted for scholarships	\$ 27,181
	=====

See notes to financial statements.

EXHIBIT "K"**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA****STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016**

	Private Purpose Trust

	Scholarship

Additions	
Local Sources:	
Gifts and contributions	\$ 5,700
Interest	2

Total Additions	\$ 5,702
Deductions	
Instruction:	
Regular:	
Scholarships awarded	3,500

Change in Net Position	\$ 2,202
Net Position Beginning of Year	24,979

Net Position End of Year	\$ 27,181
	=====

See notes to financial statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies:

The Western Dubuque County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the predominately agricultural territory in Northeast Iowa including portions of the following counties; Dubuque, Delaware, Jackson, Clayton and Jones. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the District has included all funds, organizations, agencies, boards, commissions, and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in jointly governed organizations that provide services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of Dubuque County Assessor's Conference Board, the Jones County Assessor's Conference Board, and the Dubuque County Empowerment Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

B. Basis of Presentation (Continued)

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long term debt.

The District reports the following major proprietary fund:

The Enterprise, School Nutrition Fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net position and changes in net position. The District's fiduciary funds include the following:

The Private-Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Cash Equivalents and Pooled Investments - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statements of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016, and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2015.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, and grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Capital Assets - Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	All
Buildings	\$ 5,000
Improvements other than buildings	5,000
Intangibles	100,000
Furniture and Equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50
Improvements other than buildings	20-50
Intangibles	5-10
Furniture and equipment	5-20

Deferred Outflows of Resources - Deferred outflows of resources represent a consumption of net position that applies to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the District after the measurement date but before the end of the District's reporting period. Also included in deferred outflows is the deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences - District employees accumulate sick leave and vacation for subsequent use. These accumulations are not recognized as expenditures by the District until used. The District's policy prohibits payoff of accumulated benefits at termination of employment. Consequently, no liability at June 30, 2016 has been accrued.

Long-Term Liabilities and Bond Discounts/Premiums - In the government-wide and proprietary financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond discounts or premiums are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

Pensions - For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources - Deferred inflows of resources represent an acquisition of net position that applies to a future year(s) and will not be recognized as an inflow of resources (revenues) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 1 - Summary of Significant Accounting Policies: (Continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity (Continued)

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Education through resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned – All amounts not included in preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, expenditures exceeded the amount budgeted in the support services function. The District did not exceed its General Fund unspent authorized budget.

F. Estimates

The preparation of financial statements in conformity with United States of America generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Cash, Cash Equivalents and Pooled Investments:

The District's deposits in banks at June 30, 2016, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 2 - Cash, Cash Equivalents and Pooled Investments: (Continued)

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2016, the District had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$16,137 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Financial Services.

Note 3 - Due From and Due To Other Funds:

The detail of interfund receivables and payables at June 30, 2016 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue - StudentActivity	\$ 4,909
Fiduciary – Private Purpose Trust	General	1,113

These balances will be repaid within fiscal year 2017.

Note 4 - Interfund Transfers:

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ 1,905,722

Transfers are used to move resources from the fund that statute or budget requires to record them to the fund that statute or budget requires to expend them.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 5 - Categorical Funding:

The District's restricted fund balance for categorical funding at June 30, 2016 is comprised of the following programs:

Program	Amount
Home school assistance program	\$ 38,598
Gifted and talented program	123,556
Educator quality professional development	160,057
Teacher salary supplement	22,070
Professional development for model core curriculum	157,502
Early literacy	69,841
Teacher leadership grants	354,706
Other	1,957
	<u>\$ 928,287</u>

Note 6 - Capital Assets:

Capital assets activity for the year ended June 30, 2016 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 980,441	\$ 11,277	\$ ---	\$ 991,718
Construction in progress	910,669	2,312,853	2,807,327	416,195
Total capital assets not being depreciated	<u>\$ 1,891,110</u>	<u>\$ 2,324,130</u>	<u>\$ 2,807,327</u>	<u>\$ 1,407,913</u>
Capital assets being depreciated:				
Buildings	\$ 69,177,666	\$ 2,336,243	\$ 3,040,687	\$ 68,473,222
Improvements other than buildings	1,673,997	532,893	---	2,206,890
Furniture and equipment	8,650,773	616,340	372,716	8,894,397
Total capital assets being depreciated	<u>\$ 79,502,436</u>	<u>\$ 3,485,476</u>	<u>\$ 3,413,403</u>	<u>\$ 79,574,509</u>
Less accumulated depreciation for:				
Buildings	\$ 15,199,399	\$ 1,378,371	\$ 1,307,496	\$ 15,270,274
Improvements other than buildings	1,263,447	76,768	---	1,340,215
Furniture and equipment	5,602,106	657,425	365,388	5,894,143
Total accumulated depreciation	<u>\$ 22,064,952</u>	<u>\$ 2,112,564</u>	<u>\$ 1,672,884</u>	<u>\$ 22,504,632</u>
Total capital assets being depreciated, net	<u>\$ 57,437,484</u>	<u>\$ 1,372,912</u>	<u>\$ 1,740,519</u>	<u>\$ 57,069,877</u>
Total governmental activities capital assets, net	<u>\$ 59,328,594</u>	<u>\$ 3,697,042</u>	<u>\$ 4,547,846</u>	<u>\$ 58,477,790</u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 6 - Capital Assets: (Continued)

Business type activities:

Furniture and equipment	\$ 493,130	\$ 32,424	\$ ---	\$ 525,554
Less accumulated depreciation	328,445	28,857	---	357,302
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Business type activities capital assets, net	<u>\$ 164,685</u>	<u>\$ 3,567</u>	<u>\$ ---</u>	<u>\$ 168,252</u>

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 98,098
Special	9,458
Other	13,295

Support Services:

Administration	1,224
Operation and maintenance of plant	32,365
Transportation	470,898
Non-instructional	6,280
Unallocated	1,480,946
	<u>-----</u>

Total governmental activities depreciation expense \$ 2,112,564

Business type activities:

Food service operations	<u>\$ 28,857</u>
-------------------------	------------------

Note 7 - Long-Term Liabilities:

Changes in long-term liabilities for the year ended June 30, 2016 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Governmental Activities:					
General obligation bonds	\$ 18,580,000	\$ ---	\$ 770,000	\$ 17,810,000	\$ 785,000
Qualified school construction bond	16,500,000	---	---	16,500,000	---
Net pension liability	11,104,573	2,425,023	---	13,529,596	---
Net OPEB liability	4,277,000	942,000	810,000	4,409,000	---
	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>-----</u>
Total	<u>\$ 50,461,573</u>	<u>\$ 3,367,023</u>	<u>\$ 1,580,000</u>	<u>\$ 52,248,596</u>	<u>\$ 785,000</u>

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Long-Term Liabilities: (Continued)

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
	-----	-----	-----	-----	-----
Business Type Activities:					
Net pension liability	\$ 378,956	\$ 83,224	\$ ---	\$ 462,180	\$ ---
Net OPEB liability	277,000	9,000	---	286,000	---
	-----	-----	-----	-----	-----
Total	\$ 655,956	\$ 92,224	\$ ---	\$ 748,180	\$ ---
	=====	=====	=====	=====	=====

General Obligation Bonds

Details of the District's June 30, 2016, general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue March 23, 2010			Bond Issue October 30, 2012			Total	
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest
-----	-----	-----	-----	-----	-----	-----	-----	-----
2017	2.65	435,000	69,473	3.000	350,000	466,775	785,000	536,248
2018	2.80	445,000	57,945	3.000	370,000	456,275	815,000	514,220
2019	3.00	465,000	45,485	3.000	405,000	445,175	870,000	490,660
2020	3.20	475,000	31,535	3.000	420,000	433,025	895,000	464,560
2021	3.30	495,000	16,335	3.000	425,000	420,425	920,000	436,760
2022-2026	---	---	---	3.000	5,350,000	1,728,025	5,350,000	1,728,025
2027-2031	---	---	---	3.000	6,635,000	861,775	6,635,000	861,775
2032	---	---	---	3.125	1,540,000	48,125	1,540,000	48,125
		-----	-----		-----	-----	-----	-----
		2,315,000	220,773		15,495,000	4,859,600	17,810,000	5,080,373
		=====	=====		=====	=====	=====	=====

Series 2012 bonds due June 1, 2021 – 2032, inclusive, are callable in whole or in part on any date after June 1, 2021 at a price of par and accrued interest. If less than all the bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

On March 23, 2010, the District issued \$4,250,000 in general obligation bonds with an average interest rate of 2.70% to advance refund \$4,000,000 of outstanding 2001 Series bonds with an average interest rate of 4.60%. The bonds due June 1, 2019 - 2021, inclusive, are callable in whole or in part on any date after June 1, 2018 at a price of par and accrued interest. If less than all the Bonds are called, they shall be redeemed in any order of maturity as determined by the District within any maturity by lot.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 7 - Long-Term Liabilities: (Continued)

Qualified School Construction Bonds

On December 15, 2009, the District issued \$8,500,000 of qualified school construction bonds for the purpose of building and equipping an addition to the Drexler Middle School. The bonds are interest free and the entire balance is due on June 1, 2026. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2010, the District is required to place seventeen annual payments into an escrow account, which has a 2.00% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

On April 28, 2010, the District issued \$8,000,000 of qualified school construction bonds for the purpose of constructing, furnishing, and equipping a new elementary school in Dyersville, Iowa. The bonds are interest free and the entire balance is due on June 1, 2020.

The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenue received by the District and are not a general obligation of the District. The bonds may be called for redemption on any date, in whole or from time to time in part at a price of par. Beginning June 1, 2015, the District is required to place seven annual payments into an escrow account, which has a 1.85% interest rate. The balance accumulated in the escrow account will be used to repay the bonds when they mature.

The District did comply with all of the provisions during the year ended June 30, 2016. The Sinking Fund and Reserve Fund requirements are accounted for in the Debt Service Fund.

Note 8 - 28E Agreements:

On July 20, 2005, the District entered into a 28E Agreement with the City of Farley, Iowa. The agreement is for the purpose of constructing a high school regulation softball field. Along with the 28E Agreement, the District has entered into a lease agreement with the City of Farley for the use of the softball field. The term of the lease is 40 years with annual rent of \$1.

On April 14, 2011, the District entered into a 28E Agreement with the City of Cascade, Iowa. The purpose of the agreement is to allow the City to use land owned by the District to develop and maintain a soccer field for community and District use.

On December 29, 2011, the District entered into a 28E Agreement with the City of Farley, Iowa and the Dubuque County Library Board. The purpose of the agreement is to allow the operation of a joint library facility.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 8 - 28E Agreements: (Continued)

On March 23, 2016, the District entered into a 28E Agreement with the City of Epworth, Iowa. The purpose of the agreement is to allow for construction, inspection, maintenance and repair of the water quality practices.

Note 9 - Pension Plan:

Plan Description – IPERS membership is mandatory for employees of the District, except for those covered by another retirement system. Employees of the District are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except for members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.25% for each month the member receives benefits before age 65.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 - Pension Plan: (Continued)

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the District contributed 8.93% for a total rate of 14.88%.

The District's contributions to IPERS for the year ended June 30, 2016 were \$1,854,218.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the District reported a liability of \$13,991,776 for its proportionate share of the net pension liability.

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the District's proportion was 0.283201%, which was a decrease of 0.006350% from its proportion measured as of June 30, 2014.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 - Pension Plan: (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,065,897. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	-----	-----
Difference between expected and actual experience	\$ 211,398	\$ ---
Change in assumptions	385,229	---
Net difference between projected and actual earnings on pension plan investments	---	1,164,489
Changes in proportion and differences between District contributions and proportionate share of contributions	---	452,588
District contributions subsequent to the measurement date	1,854,218	---
	-----	-----
	\$ 2,450,845	\$ 1,617,077
	=====	=====

\$1,854,218 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	

2017	\$ (520,108)
2018	(520,108)
2019	(520,108)
2020	538,655
2021	1,225

	\$ (1,020,444)
	=====

There were no non-employer contributing entities to IPERS.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 - Pension Plan: (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00% per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50%, compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
Total	100%	

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 9 - Pension Plan: (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the District will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's Proportional Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
	-----	-----	-----
District's proportionate share of the net pension liability	\$ 24,497,082	\$ 13,991,776	\$ 5,124,543

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to IPERS – At June 30, 2016, the District reported payables to the defined benefit pension plan of \$148,883 for legally required employer contributions and \$99,200 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 10 - Other Postemployment Benefits (OPEB):

Plan Description - The District operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 517 active and 58 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Medical Associates. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy and an OPEB liability.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10 - Other Postemployment Benefits (OPEB): (Continued)

The District also contributes to an employer-provided health reimbursement arrangement for contracted employees when they retire. To qualify, the retiring employee must be at least age 55 and have 10 or more years of service with the District. For contracted employees eligible for health insurance, the District will contribute an amount equal to its annual contribution to the cost of family medical insurance at the time of retirement for the employee's work classification for a period of five years. For employees not eligible for medical insurance, the District will contribute a one-time amount equal to 25% of the employee's regular wages earned during the last year of employment with the District.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. Retirees pay the full cost of premiums for the medical/prescription drug benefit. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 920,000
Interest on net OPEB obligation	205,000
Adjustment to annual required contribution	(174,000)

Annual OPEB cost	\$ 951,000
Contributions made	(810,000)

Increase in net OPEB obligation	\$ 141,000
Net OPEB obligation beginning of year	4,554,000

Net OPEB obligation end of year	\$ 4,695,000
	=====

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2016.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10 - Other Postemployment Benefits (OPEB): (Continued)

For the year ended June 30, 2016, the District contributed \$0 to the medical plan premiums and \$810,000 to the health reimbursement arrangement. Plan members eligible for benefits contributed \$444,897, or 100% of the premium costs.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2016 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$ 1,334,000	59.37%	\$ 4,316,000
2015	949,000	74.92%	4,554,000
2016	951,000	85.17%	4,695,000

Funded Status and Funding Process - As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was approximately \$8.308 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$8.308 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$21,058,000, and the ratio of the UAAL to covered payroll was 39.45%. As of June 30, 2016, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 10 - Other Postemployment Benefits (OPEB): (Continued)

As of the July 1, 2014 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2014 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2014.

The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 11 - Risk Management:

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12 - Area Education Agency:

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$1,462,385 for the year ended June 30, 2016, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

Note 13 - Commitments/Construction in Progress:

The District has entered into contracts totaling \$2,555,823 for additions at Cascade and Peosta Elementary Schools and a roof project and repairs at Cascade High School. As of June 30, 2016, costs of \$367,761 had been incurred against the contracts. The remaining amount will be paid as work on the project progresses.

The District approved a contract in the amount of \$406,057 for the purchase of five school buses.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Note 14 - Subsequent Events:

The District issued \$6.5 million of School Infrastructure Sales, Services and Use Tax Revenue Bonds for additions and remodeling at the Peosta and Cascade Elementary Schools.

The District awarded a contract for an addition at Peosta Elementary School in the amount of \$3,304,000.

The District's management has evaluated subsequent events and transactions for potential financial statement recognition and disclosure through January 23, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND
CHANGES IN BALANCES - BUDGET AND ACTUAL -
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2016**

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues						
Local sources	\$ 21,586,522	\$ 1,253,602	\$ 22,840,124	\$ 22,050,090	\$ 22,050,090	\$ 790,034
State sources	21,494,836	14,769	21,509,605	21,818,385	21,818,385	(308,780)
Federal sources	1,049,552	892,046	1,941,598	1,895,546	1,895,546	46,052
Total Revenues	\$ 44,130,910	\$ 2,160,417	\$ 46,291,327	\$ 45,764,021	\$ 45,764,021	\$ 527,306
Expenditures/Expenses						
Instruction	\$ 24,642,778	\$ ---	\$ 24,642,778	\$ 24,909,464	\$ 24,909,464	\$ 266,686
Support services	12,020,335	---	12,020,335	11,789,326	11,823,072	(197,263)
Non-instructional programs	41,560	1,966,001	2,007,561	2,085,719	2,085,719	78,158
Other expenditures	5,561,532	---	5,561,532	4,317,339	6,089,382	527,850
Total Expenditures/Expenses	\$ 42,266,205	\$ 1,966,001	\$ 44,232,206	\$ 43,101,848	\$ 44,907,637	\$ 675,431
Excess (Deficiency) of Revenues Over (Under) Expenditures/Expenses	\$ 1,864,705	\$ 194,416	\$ 2,059,121	\$ 2,662,173	\$ 856,384	\$ 1,202,737
Other Financing Sources, Net	463,672	---	463,672	3,142	3,142	460,530
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures/Expenses and Other Financing Uses	\$ 2,328,377	\$ 194,416	\$ 2,522,793	\$ 2,665,315	\$ 859,526	\$ 1,663,267
Balances Beginning of Year	19,981,219	(40,167)	19,941,052	17,473,710	17,473,710	2,467,342
Balances End of Year	\$ 22,309,596	\$ 154,249	\$ 22,463,845	\$ 20,139,025	\$ 18,333,236	\$ 4,130,609

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
- BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2016**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$1,805,789.

During the year ended June 30, 2016, expenditures in the support services function exceeded the amount budgeted. The District did not exceed its General Fund unspent authorized budget.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TWO YEARS*
(IN THOUSANDS)**

REQUIRED SUPPLEMENTARY INFORMATION

	2016 -----	2015 -----
District's proportion of the net pension liability	0.283201%	0.289556%
District's proportionate share of the net pension liability	\$ 13,992	\$ 11,484
District's covered-employee payroll	\$ 20,004	\$ 18,962
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	71.86%	60.56%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

SCHEDULE OF DISTRICT CONTRIBUTIONS

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS
(IN THOUSANDS)**

REQUIRED SUPPLEMENTARY INFORMATION

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Statutorily required contributions	\$ 1,854	\$ 1,786	\$ 1,693	\$ 1,636	\$ 1,433	\$ 1,220	\$ 1,121	\$ 1,012	\$ 928	\$ 826
Contributions in relation to the statutorily required contribution	(1,854)	(1,786)	(1,693)	(1,636)	(1,433)	(1,220)	(1,121)	(1,012)	(928)	(826)
Contribution deficiency (excess)	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---
District's covered-employee payroll	\$ 20,764	\$ 20,004	\$ 18,962	\$ 18,868	\$ 17,754	\$ 17,547	\$ 16,859	\$ 15,935	\$ 15,345	\$ 14,358
Contributions as a percentage of Covered-employee payroll	8.93%	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Legislative action in 2008 transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in future years. It also included the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FUNDING PROGRESS FOR THE
RETIREE HEALTH PLAN
(IN THOUSANDS)**

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2008	\$ ---	\$ 9,009	\$ 9,009	0.0%	\$ 17,047	52.90%
2011	July 1, 2010	---	12,552	12,552	0.0%	17,547	71.50%
2012	July 1, 2010	---	12,552	12,552	0.0%	17,884	70.20%
2013	July 1, 2012	---	11,114	11,114	0.0%	19,055	58.33%
2014	July 1, 2012	---	11,114	11,114	0.0%	19,243	57.76%
2015	July 1, 2014	---	8,308	8,308	0.0%	20,236	41.06%
2016	July 1, 2014	---	8,308	8,308	0.0%	21,058	39.45%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and net OPEB Obligation, funded status and funding progress.

SUPPLEMENTARY INFORMATION

**WESTERN DUBUQUE COUNT COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

	Special Revenue		
	Management Levy	Student Activity	Total
Assets			
Cash, cash equivalents, and pooled investments	\$ 780,607	\$ 887,835	\$ 1,668,442
Receivables:			
Property tax:			
Delinquent	12,571	---	12,571
Succeeding year	1,425,001	---	1,425,001
Accounts	---	4,347	4,347
Prepaid expenses	719,669	---	719,669
Total Assets	\$ 2,937,848	\$ 892,182	\$ 3,830,030
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ ---	\$ 44,487	\$ 44,487
Due to other funds	---	4,909	4,909
Total Liabilities	\$ ---	\$ 49,396	\$ 49,396
Deferred Inflows of Resources:			
Unavailable revenues:			
Succeeding year property tax	\$ 1,425,001	\$ ---	\$ 1,425,001
Fund Balances:			
Nonspendable:			
Prepaid expenditures	\$ 719,669	\$ ---	\$ 719,669
Restricted for:			
Management levy purposes	793,178	---	793,178
Student activities	---	842,786	842,786
Total Fund Balances	\$ 1,512,847	\$ 842,786	\$ 2,355,633
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,937,848	\$ 892,182	\$ 3,830,030

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016**

	Special Revenue		
	Management Levy	Student Activity	Total
Revenues			
Local Sources:			
Local tax	\$ 1,146,619	\$ ---	\$ 1,146,619
Other	56,180	1,658,001	1,714,181
State sources	31,250	---	31,250
Total Revenues	\$ 1,234,049	\$ 1,658,001	\$ 2,892,050
Expenditures			
Current:			
Instruction:			
Regular	\$ 396,879	\$ ---	\$ 396,879
Special	128,273	---	128,273
Other	26,826	1,551,814	1,578,640
Total Instruction	\$ 551,978	\$ 1,551,814	\$ 2,103,792
Support Services:			
Student	\$ 2,526	\$ ---	\$ 2,526
Instructional staff	13,901	---	13,901
Administration	96,496	9,901	106,397
Operation and maintenance of plant	316,549	11,805	328,354
Transportation	151,472	54,081	205,553
Total Support Services	\$ 580,944	\$ 75,787	\$ 656,731
Non-instructional Programs	\$ 41,560	\$ ---	\$ 41,560
Total Expenditures	\$ 1,174,482	\$ 1,627,601	\$ 2,802,083
Change in Fund Balances	\$ 59,567	\$ 30,400	\$ 89,967
Fund Balances Beginning of Year	1,453,280	812,386	2,265,666
Fund Balances End of Year	\$ 1,512,847	\$ 842,786	\$ 2,355,633

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING BALANCE SHEET
CAPITAL PROJECT FUND ACCOUNTS
JUNE 30, 2016**

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	-----	-----	-----
Assets			
Cash, cash equivalents, and pooled investments	\$ 2,213,611	\$ 1,876,948	\$ 4,090,559
Receivables:			
Property tax:			
Delinquent	---	13,369	13,369
Succeeding year	---	1,369,652	1,369,652
Due from other governments	468,792	---	468,792
Prepaid expenses	70,819	---	70,819
	-----	-----	-----
Total Assets	\$ 2,753,222	\$ 3,259,969	\$ 6,013,191
	=====	=====	=====
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	\$ 47,876	\$ 38,933	\$ 86,809
	-----	-----	-----
Deferred Inflows of Resources:			
Unavailable Revenues:			
Succeeding year property tax	\$ ---	\$ 1,369,652	\$ 1,369,652
	-----	-----	-----
Fund Balances:			
Nonspendable:			
Prepaid expenditures	\$ 70,819	\$ ---	\$ 70,819
Restricted for:			
School infrastructure	2,634,527	---	2,634,527
Physical plant and equipment	---	1,851,384	1,851,384
	-----	-----	-----
Total Fund Balances	\$ 2,705,346	\$ 1,851,384	\$ 4,556,730
	-----	-----	-----
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,753,222	\$ 3,259,969	\$ 6,013,191
	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
	-----	-----	-----
Revenues			
Local Sources:			
Local tax	\$ ---	\$ 1,287,803	\$ 1,287,803
Other	36,406	82,070	118,476
State sources	2,853,633	34,198	2,887,831
	-----	-----	-----
Total Revenues	\$ 2,890,039	\$ 1,404,071	\$ 4,294,110
	-----	-----	-----
Expenditures			
Current:			
Instruction:			
Regular	\$ ---	\$ 165,899	\$ 165,899
	-----	-----	-----
Support Services:			
Administration	\$ 320,535	\$ 166,593	\$ 487,128
Operation and maintenance of plant	---	41,526	41,526
Transportation	9,501	408,500	418,001
	-----	-----	-----
Total Support Services	\$ 330,036	\$ 616,619	\$ 946,655
	-----	-----	-----
Other Expenditures:			
Facilities acquisition	\$ 2,357,184	\$ 414,270	\$ 2,771,454
	-----	-----	-----
Total Expenditures	\$ 2,687,220	\$ 1,196,788	\$ 3,884,008
	-----	-----	-----
Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 202,819	\$ 207,283	\$ 410,102
	-----	-----	-----
Other Financing Sources (Uses)			
Compensation for loss of fixed assets	\$ ---	\$ 44,110	\$ 44,110
Sale of building, equipment and materials	---	261,000	261,000
Operating transfers out	(1,905,722)	---	(1,905,722)
	-----	-----	-----
Total Other Financing Sources (Uses)	\$(1,905,722)	\$ 305,110	\$(1,600,612)
	-----	-----	-----
Change in Fund Balances	\$(1,702,903)	\$ 512,393	\$(1,190,510)
	-----	-----	-----
Fund Balances Beginning of Year	4,408,249	1,338,991	5,747,240
	-----	-----	-----
Fund Balances End of Year	\$ 2,705,346	\$ 1,851,384	\$ 4,556,730
	=====	=====	=====

See accompanying independent auditor's report.

SCHEDULE "5"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
District Wide Accounts					
Employee Awards	\$ 154	\$ ---	\$ ---	\$ ---	\$ 154
Western Trip	8,715	8,610	12,260	600	5,665
District Wide Interest	74,175	7,713	696	---	81,192
	-----	-----	-----	-----	-----
Total District Wide	\$ 83,044	\$ 16,323	\$ 12,956	\$ 600	\$ 87,011
	-----	-----	-----	-----	-----
Epworth High School:					
Computer Technology	\$ 135	\$ ---	\$ ---	\$ ---	\$ 135
Dramatics Fund	10,841	13,180	11,823	---	12,198
Speech Club	1,805	100	678	---	1,227
Vocal Music	9,489	143,706	151,126	1,788	3,857
Instrumental Music	5,948	46,149	47,388	(156)	4,553
Show Choir	4,132	89,076	77,817	175	15,566
Model U.N.	455	---	---	---	455
Student Council	31,444	25,795	28,301	2,683	31,621
Future Farmers	22,429	59,270	66,420	1,575	16,854
Yearbook	14,082	30,657	31,984	---	12,755
Library Club	1,608	---	---	---	1,608
Close Up	94	---	---	---	94
Post Prom	3,116	944	4,046	2,000	2,014
National Honor Society	2,070	2,936	2,710	(233)	2,063
Class of 2019	---	2,454	1,450	72	1,076
Class of 2018	888	240	580	---	548
Class of 2017	1,560	6,038	2,491	(970)	4,137
Class of 2016	3,505	---	---	(3,505)	---
Future Business Leaders	6,453	31,774	38,770	2,714	2,171
Athletic Fund	229,353	557,549	527,951	(6,441)	252,510
Pop and Uniforms	5,902	700	630	---	5,972
Fundraiser	6,792	1,023	2,245	---	5,570
Band	6,546	---	6,200	4,513	4,859
Miscellaneous	14,640	37,549	28,452	(4,815)	18,922
	-----	-----	-----	-----	-----
Total Epworth High School	\$ 383,287	\$1,049,140	\$1,031,062	\$ (600)	\$ 400,765
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

SCHEDULE "5" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Balance Beginning Of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
	-----	-----	-----	-----	-----
Cascade High School:					
Poms	\$ 59	\$ ---	\$ 51	\$ ---	\$ 8
Dramatics/Speech	6,834	17,138	13,497	(583)	9,892
Vocal Music	1,937	24,629	13,080	(10,934)	2,552
Instrumental Music	3,042	39,039	50,747	10,541	1,875
Band	48	---	---	---	48
Student Council	3,323	3,987	4,496	---	2,814
Future Farmers	96,414	87,324	89,654	(3,008)	91,076
National Honor Society	---	475	573	98	---
Junior High	279	9,498	9,404	---	373
Class of 2017	---	3,172	1,693	---	1,479
Class of 2016	890	710	1,418	(182)	---
Athletic Fund	25,219	179,676	190,407	5,672	20,160
Future Business Leaders	3,157	15,378	15,961	(678)	1,896
Pop and Uniforms	455	3,495	2,563	(591)	796
Yearbook	4,178	4,812	2,466	---	6,524
Miscellaneous	561	5,775	3,234	(335)	2,767
	-----	-----	-----	-----	-----
Total Cascade High School	\$ 146,396	\$ 395,108	\$ 399,244	\$ ---	\$ 142,260
	-----	-----	-----	-----	-----
Bernard Elementary:					
Student Expenses	\$ 5,237	\$ 579	\$ 761	\$ ---	\$ 5,055
	-----	-----	-----	-----	-----
Cascade Elementary:					
Student Expenses	\$ 20,196	\$ 13,924	\$ 11,233	\$ ---	\$ 22,887
School Photos	3,755	---	290	---	3,465
	-----	-----	-----	-----	-----
Total Cascade Elementary	\$ 23,951	\$ 13,924	\$ 11,523	\$ ---	\$ 26,352
	-----	-----	-----	-----	-----
Dyersville Elementary:					
Student Expenses	\$ 21,879	\$ 16,791	\$ 13,725	\$ ---	\$ 24,945
Book Fair	1	1,198	1,197	---	2
School Photos	4,748	1,160	---	---	5,908
	-----	-----	-----	-----	-----
Total Dyersville Elementary	\$ 26,628	\$ 19,149	\$ 14,922	\$ ---	\$ 30,855
	-----	-----	-----	-----	-----

See accompanying independent auditor's report.

SCHEDULE "5" (Continued)

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND
STUDENT ACTIVITY ACCOUNTS
YEAR ENDED JUNE 30, 2016**

	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Farley:					
Spring Fundraiser	\$ 15,352	\$ ---	\$ 81	\$ ---	\$ 15,271
Student Council	895	---	45	---	850
Yearbook	4,527	6,760	7,357	---	3,930
Vocal Music	1,532	62,326	53,416	(305)	10,137
Athletic Fund	10,849	12,205	13,570	8,176	17,660
Booster Club/PTO	377	---	---	---	377
Outdoor Education	4,254	12,512	9,278	(2,039)	5,449
Pop and Uniforms	4,844	1,105	473	---	5,476
Fitness Program	3,682	250	1,364	51	2,619
Book Fair	2,838	3,584	3,876	170	2,716
School Photos	27,904	3,243	6,862	---	24,285
Magazine/Newspaper Fundraiser	6,741	2,163	---	---	8,904
Grade 8 Class Trip	4,442	12,231	14,382	---	2,291
Various Groups	36,038	37,102	37,131	(6,053)	29,956
	-----	-----	-----	-----	-----
Total Farley	\$ 124,275	\$ 153,481	\$ 147,835	\$ ---	\$ 129,921
	-----	-----	-----	-----	-----
Epworth Elementary:					
Student Expenses	\$ 10,422	\$ 5,891	\$ 6,337	\$ ---	\$ 9,976
	-----	-----	-----	-----	-----
Peosta Elementary:					
Yearbook	\$ 2,139	\$ 1,641	\$ 1,793	\$ ---	\$ 1,987
Booster Club	210	---	---	---	210
Miscellaneous	6,797	2,765	1,168	---	8,394
	-----	-----	-----	-----	-----
Total Peosta Elementary	\$ 9,146	\$ 4,406	\$ 2,961	\$ ---	\$ 10,591
	-----	-----	-----	-----	-----
Total	\$ 812,386	\$1,658,001	\$1,627,601	\$ ---	\$ 842,786
	=====	=====	=====	=====	=====

See accompanying independent auditor's report.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS**

	Modified Accrual Basis				
	2016	2015	2014	2013	2012
Revenues					
Local Sources:					
Local tax	\$ 17,183,082	\$ 16,597,617	\$ 16,008,002	\$ 18,329,503	\$ 17,420,490
Tuition	1,582,810	1,471,815	1,252,114	1,217,123	1,288,794
Other	2,820,630	2,643,776	2,276,723	1,857,232	2,297,134
Intermediate Sources	---	---	---	3,228	650
State Sources	21,494,836	21,110,483	19,704,936	16,015,644	15,449,656
Federal Sources	1,049,552	1,074,649	1,091,204	1,118,573	1,873,725
Total	\$ 44,130,910	\$ 42,898,340	\$ 40,332,979	\$ 38,541,303	\$ 38,330,449
Expenditures					
Instruction:					
Regular	\$ 13,218,192	\$ 12,939,987	\$ 12,501,174	\$ 12,529,543	\$ 12,023,320
Special	4,804,473	4,487,288	4,410,022	4,497,179	4,036,455
Other	6,620,113	6,396,789	6,238,645	5,601,800	5,182,942
Support Services:					
Student	1,220,631	836,711	810,551	785,174	1,060,337
Instructional staff	1,631,842	1,604,342	825,080	1,041,590	978,196
Administration	4,131,388	3,585,308	3,890,927	3,372,170	3,182,006
Operation and maintenance of plant	2,696,211	2,689,082	2,518,518	2,337,729	2,114,049
Transportation	2,340,263	2,527,966	2,133,449	2,538,257	2,428,324
Non-instructional programs	41,560	40,616	38,228	38,978	39,644
Other Expenditures:					
Facilities acquisition	2,771,454	2,804,301	14,914,448	1,382,275	2,354,477
Long-term debt:					
Principal	770,000	750,000	740,000	1,405,000	1,380,000
Interest and other charges	557,693	579,457	593,532	576,541	147,400
AEA flowthrough	1,462,385	1,440,757	1,399,889	1,318,329	1,265,458
Total	\$ 42,266,205	\$ 40,682,604	\$ 51,014,463	\$ 37,424,565	\$ 36,192,608

See accompanying independent auditor's report.

SCHEDULE "6"

Modified Accrual Basis

2011	2010	2009	2008	2007
\$ 16,500,013	\$ 15,686,866	\$ 15,038,895	\$ 14,137,465	\$ 13,880,533
952,017	850,519	804,929	825,845	830,306
2,059,165	1,604,956	1,790,591	1,928,215	1,911,309
1,817	7,872	9,988	12,488	1,306
14,456,510	12,369,676	13,409,951	12,893,404	11,984,915
2,252,535	2,619,203	1,176,914	801,897	850,311
\$ 36,222,057	\$ 33,139,092	\$ 32,231,268	\$ 30,599,314	\$ 29,458,680
\$ 11,122,744	\$ 11,249,602	\$ 10,570,155	\$ 10,197,183	\$ 10,311,911
3,705,460	3,770,825	3,686,818	3,403,315	2,782,573
5,521,268	4,997,044	3,793,523	3,400,738	3,020,372
1,024,825	989,832	979,946	904,763	841,912
842,202	307,997	362,822	372,002	393,706
2,879,063	2,938,145	2,768,180	2,768,828	2,590,845
1,978,215	1,732,424	1,842,198	1,779,698	1,707,388
2,567,962	2,313,033	2,204,821	2,476,922	2,227,582
38,909	36,634	44,677	39,453	37,462
13,725,635	8,185,273	629,749	719,111	965,701
1,280,000	2,210,000	1,390,000	1,900,000	1,840,000
200,414	718,875	454,809	527,844	593,974
1,342,368	1,296,569	1,168,250	1,096,770	1,042,947
\$ 46,229,065	\$ 40,746,253	\$ 29,895,948	\$ 29,586,627	\$ 28,356,373

SCHEDULE "7"

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016**

Grantor/Program -----	CFDA Number -----	Grant Number -----	Expenditures -----
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	FY16	\$ 97,498
National School Lunch Program	10.555	FY16	577,719
National School Lunch Program - USDA			
Commodities (noncash)	10.555	FY16	216,829

			\$ 892,046

U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY16	\$ 431,504
Career and Technical Education - Basic Grants			
to States	84.048	FY16	33,922
Improving Teacher Quality State Grants	84.367	FY16	135,305
State Assessment	84.369	FY16	12,428
Special Education Grants to States	84.027	FY16	8,707
Keystone Area Education Agency:			
Special Education Grants to States	84.027	FY16	184,992

			\$ 806,858

U.S. Department of Health and Human Services:			
Iowa Department of Education:			
Cooperative Agreements to Support Comprehensive			
School Health Programs to Prevent the Spread of HIV			
and Other Important Health Problems	93.938	FY16	\$ 447
Iowa Department of Human Services:			
Human Services Administrative Reimbursements:			
Medical Assistance Program	93.778	FY16	242,247

			\$ 242,694

Total			\$1,941,598
			=====

*Total for Special Education cluster is \$193,698.

See accompanying independent auditor's report.

WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal award activity of the Western Dubuque County Community School District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position or cash flows of the Western Dubuque County Community School District.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Western Dubuque County Community School District has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

www.oconnorbrooks.com

To the Board of Education of the
Western Dubuque County Community School District

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Western Dubuque County Community School District as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 23, 2017. In addition, we have disclaimed an opinion on the required supplementary information.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Western Dubuque County Community's School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of Western Dubuque County Community School District's internal control.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Western Dubuque County Community School District's Responses to Findings

Western Dubuque County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Western Dubuque County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 23, 2017

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education of the
Western Dubuque County Community School District

www.oconnorbrooks.com

Report on Compliance for Each Major Federal Program

We have audited Western Dubuque County Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016. Western Dubuque County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each of the major federal programs. However, our audit does not provide a legal determination of Western Dubuque County Community School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Western Dubuque County Community School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

The management of Western Dubuque County Community School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

O'CONNOR, BROOKS & CO., P.C.

O'Connor, Brooks & Co., P.C.

Dubuque, Iowa
January 23, 2017

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Part I: Summary of Independent Auditor's Results

- a) Unmodified opinions were issued on the financial statements.
- b) No material weaknesses in internal control over financial reporting were noted.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major programs were noted.
- e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.515.
- g) Major programs were as follows:
 - Child Nutrition Cluster
- h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i) Western Dubuque County Community School District did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Noncompliance:

No matters were noted.

Material Weakness:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance:

No matters were noted.

Material Weakness:

No matters were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-16 Certified Budget – Expenditures for the year ended June 30, 2016 exceeded the amount budgeted in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

IV-B-16 Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-16 Travel Expense – One expenditure of District money for a travel expense of a spouse of a District employee was noted. No travel advances to District officials or employees were noted.

Recommendation – The District should review all travel expense to ensure no amounts are paid for spouses of District Officials or employees.

Response – The District will continue to review all employee reimbursements for appropriateness.

Conclusion – Response accepted.

IV-D-16 Business Transactions – No business transactions between the District and District officials or employees were noted.

IV-E-16 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-16 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

IV-G-16 Certified Enrollment – Four variances in the basic enrollment data certified to the Iowa Department of Education were noted.

Recommendation – The District should develop procedures to ensure accurate enrollment data is certified to the Iowa Department of Education.

Response – The District will continue to make every effort to ensure accuracy of the enrollment data certified with the Iowa Department of Education.

Conclusion – Response accepted.

IV-H-16 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-16 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-16 Certified Annual Report – The Certified Annual Report was certified timely to Iowa Department of Education.

IV-K-16 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.

IV-L-16 Statewide Sales, Services and Use Tax – No instances of non-compliance with allowable uses of the statewide sales, services and use tax revenue provided in Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2016, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 4,408,249
Revenues:		
Sales tax revenues	\$ 2,853,633	
Other local revenues	36,406	2,890,039
	-----	-----
		\$ 7,298,288

**WESTERN DUBUQUE COUNTY COMMUNITY SCHOOL DISTRICT
FARLEY, IOWA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016**

Part IV: Other Findings Related to Required Statutory Reporting: (Continued)

Expenditures/transfers out:		
School infrastructure construction	\$ 2,357,185	
Equipment	131,825	
Other	198,210	
Transfers to debt service fund	1,905,722	4,592,942
	-----	-----
Ending balance		\$ 2,705,346
		=====

For the year ended June 30, 2016, the District reduced the following levy as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa:

	Per \$1,000 of Taxable Valuation	Property Tax Dollars
	-----	-----
Debt service levy	\$ 0.31085	\$ 400,000